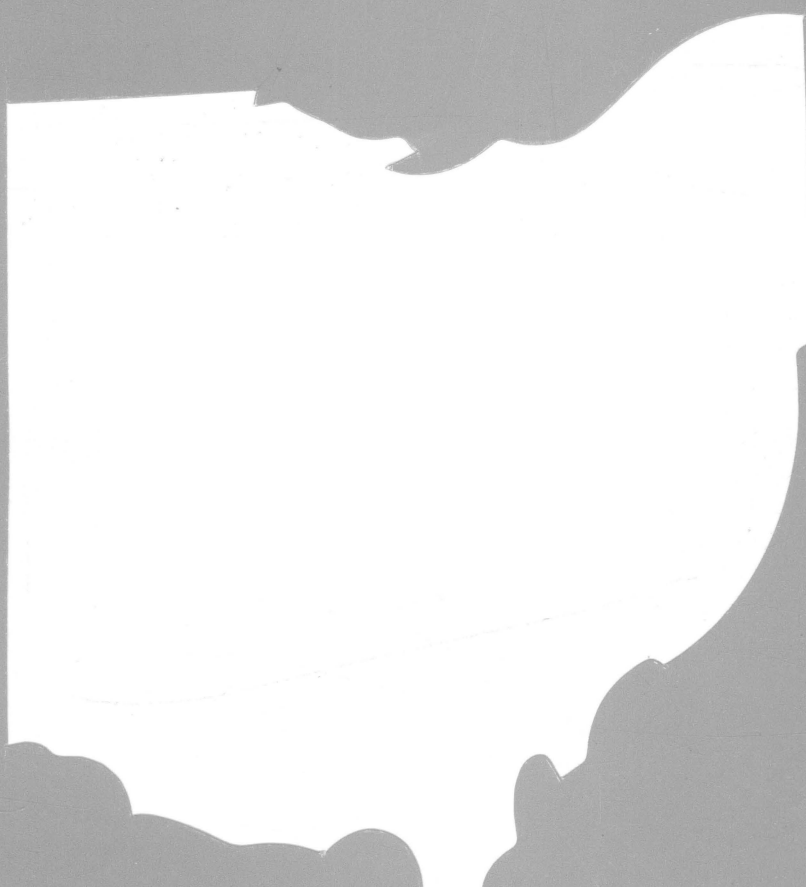


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WHY WORRY ABOUT WHO WILL  
CONTROL U.S. AGRICULTURE?

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# Why Worry About Who Will Control U.S. Agriculture?

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The topic who will control agriculture is both ancient and yet new. It is ancient in that from the time man divided up tasks in providing food until the era of modern commercial farming, the organizational system has been of importance to farmers. It has been important to those associated with farm production or marketing and to those dependent upon it for food--thus, it is important to everyone.

In an historical perspective, farming has been organized in many ways and it is organized differently in different parts of the world today. For example, farms range from the minifundia to the semi-feudal estates in South America and from the fragmented hereditary plots of Europe to large corporate farms in the Southwest of the U.S. and huge state farms in the Communist world. In much of the U.S. a small unit proprietorship organizational system has prevailed.

We, in the U.S., are moving from a dispersed system of a small unit proprietorship type of farm organizational system towards its opposite--concentration in both production and market organization. We use the term dispersed to avoid being bound to the terms and the system of the past or present. A concentrated organizational system refers to farm production and marketing being controlled by a relatively few firms.

## Pressures for Change

Why is the traditional production and marketing farm organizational

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system changing? There are numerous persistent pressures for volume production and reorganization of the system. Some of the reasons are:

1. Increasing technical complexity and specialization;
2. Increasing labor costs that contribute to mechanization and larger size operations;
3. Increasing certainty in annual productivity increases along with improved credit practices that make it possible for larger sized firms to assume greater risks;
4. Scarcity of highly productive farm land coupled with the need for non-farm uses;
5. Effects of tax laws and rules making it easy for non-farmers to outbid farmers for land;
6. Pressures to align with business organizations based upon merchandising strategy;
7. Minority political position of farmers.

The consequences of more centralized control of production and marketing would differ from the present system--the consequences would differ for producers, for firms supplying production inputs, for firms marketing and processing products, for rural communities, and for consumers. The uncertainty of the consequences of changing the organizational system for agriculture are some of the reasons that people worry about who will control U.S. agriculture. These are some of the reasons why some policy educators should worry about the control of agricultural issues.

#### Decision-Making and Control of Agriculture

Control is closely related to decision-making and people in general, and farmers in particular, place a high value on the decision-making role. Formerly, when farmers were numerous and had political power they controlled

U.S. agricultural policy and the organizational system. Everyone knew who would make the decisions in agriculture--farmers. They ran the farms, controlled farm organizations and elected Congressmen. It is different today. Farmers and agricultural interests did not raise policy issues about tobacco and health, or pesticides and the numerous farm-related environmental or pollution issues.

The issue on who will control agriculture and the type of organizational system that is to prevail is strange and foreboding to many of us. But decisions will be made and people are asking for assistance when they pose such questions as:

1. Who will own the resources used in agriculture?
2. Will farm operators be decision-makers?
3. To what extent will farmers organize and delegate some of their decisions to cooperatives or bargaining groups?
4. Are suppliers of inputs or marketers wanting to integrate or contract farm production going to control agriculture?
5. Will tax advantages attracting non-farm capital into agriculture shift land ownership to a new land holding class of people?
6. Will farmers have access to markets? to capital? to new technology? to labor?
7. To what extent will society impose their decisions on agriculture?

These kinds of questions are being asked by enough leaders and lay people that many of us should begin to worry about our role as policy educators and to tool-up for the task ahead.

#### Further Identification of the Issue

I do not intend to review the decline in farm numbers and increasing

concentration of production on larger farms.<sup>1/</sup> Let's recognize there are changes and identifiable trends. Let's also recognize some people are concerned with large scale production units.<sup>2/</sup> There are increasing concerns expressed about integrated or contractual arrangements to market products through industrialized food system conglomerates that some day may approach the concentration of power now present in many segments of our industrial sector.<sup>3/</sup>

Let's further recognize a beginning concern over supplying and transmitting of knowledge through more closely coordinated arrangements that may limit access of this vital factor.<sup>4/</sup> Tax policies do influence capital accumulation, land ownership and organizational structure.<sup>5/</sup>

The policy issue is the type and control of the organizational system. It is not concerned with keeping things as they are--it is neither possible nor desirable. The basic issue is what type of farm production and marketing organizational system is to prevail and who will control it?

Involved are the fundamental questions of, "What kind of agriculture do we want?" and "What rules of the game do we want to play by?" The normal criteria of freedom, income, efficiency, security and equity apply. With the obvious conflicts some trade-offs are necessary. Again, I do not intend to review goals and values. But, if we are to come to grips with

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<sup>1/</sup> Kyle, R. Leonard, Sundquist, W. B., and Guither, Harold D., Who Will Control U.S. Agriculture? Chapter 1, North Central Regional Extension Publication 32, University of Illinois, Champaign, 1972.

<sup>2/</sup> Barlowe, Raleigh and Libby, Lawrence, Ibid, Chapter 3.

<sup>3/</sup> Rhodes, V. James, Ibid, Chapter 5.

<sup>4/</sup> Guither, Harold D. and Krause, Kenneth R., Ibid, Chapter 4.

<sup>5/</sup> Dorow, Norbert A., Ibid, Chapter 6.

the control of agriculture issue, we must include some definition of alternative national agricultural policy goals.<sup>1/</sup> Some consensus must exist in the desires, values and goals of farmers, tenants, hired workers, marketers, input suppliers, rural communities, and consumers if viable and acceptable solutions are to be found.

Many think the outcome is settled; that the system of a dispersed individual proprietorship open market type of agriculture is doomed. Others think that efficiency is the only criteria and if the corporates can produce food the cheapest then they should take over. Still, many other people don't believe the issue is settled. There are some that feel this issue in all its ramifications could challenge some public policy educators for many years.

#### Some Manifestations of the Issue

A whole set of related issues are emerging publicly and in legislative halls around the core question, "Who will control U.S. agriculture?" and the underlying issue of the organizational system. Some of these manifestations include:

1. Legislation now before U.S. Congress to preserve the family farm. The Family Farm Act would keep big non-farm corporations out of farming. The legislation would prohibit both ownership and leasing of land. Also, prohibited would be contracts with others or by integration.

2. The concern about who will control agriculture is reflected in bargaining legislation before Congress. The legislation intends to strengthen producer groups or provide countervailing forces in dealing with the firms that buy their products.

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<sup>1/</sup> Breimyer, Harold F. and Barr, Wallace, Ibid, Chapter 2.

3. A third manifestation of the concern is the revival of interest in farm cooperatives as a means of achieving some economies of scale and market strength on the input side of farming, the output side, or both.

4. Another manifestation is the concern about non-farm people, or non-farm corporates, investing in farmland for tax savings purposes.

5. In another sense, the great interest in programs and policies improving off-farm employment opportunities for rural residents is a manifestation of interest in dispersing population, land ownership and control of the land resource.

#### The Framework--A Couple of Alternatives

The terms "dispersed agriculture" and "concentrated agriculture" differentiate between extremes and are useful for initial contrast purposes. But, the world of reality may be somewhere in between. So a range of choices is used to assist in an effort to classify the farm production and market organizational system for analysis and discussion. The range includes:

1. Independent producers - open market
2. Corporations
3. Cooperatives
4. Government
5. Combination

The afternoon panel session on the forces and alternatives for control of U.S. agriculture is organized to use this classification of organizational systems. This set of alternatives may be an over-simplification of a very complex issue but it does provide a framework for analysis and discussion.

The proportionate value of farm production coming from various organizational systems has been estimated by Harold Breimyer. His estimates show that 76 to 81 percent of the total farm production value originates from



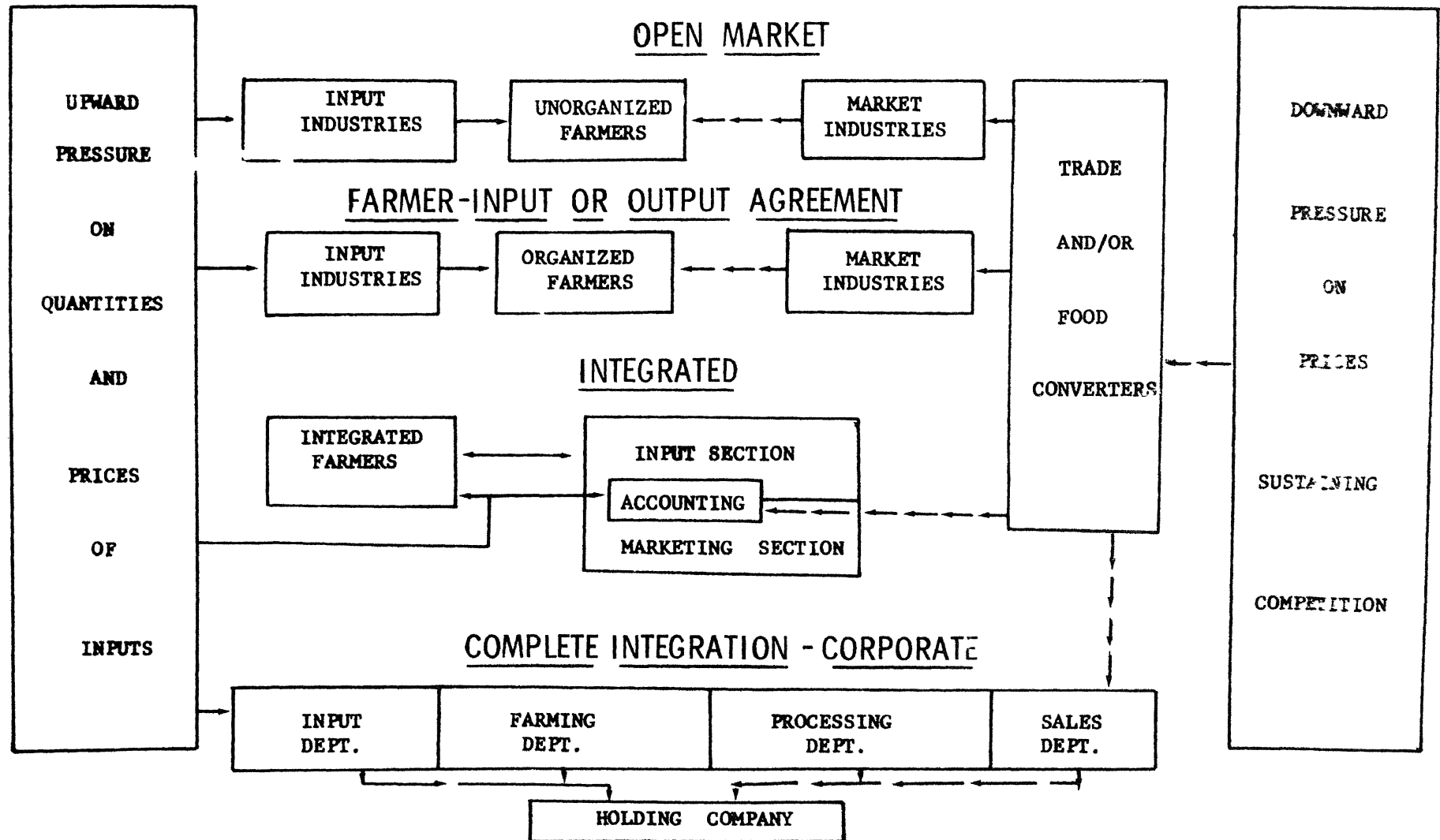
independent farmers, about 12 to 15 percent through production contracts, 5 to 7 percent from corporates (excludes the small full-time incorporated farmer), and about 1 percent from each of a cooperative system of farming and self-sufficient unit.

Another alternative (or additional) approach is to discuss with lay people some alternative farm-food chain organizational systems. In the food and fiber model four alternative farm-food organizational systems are shown. They are: 1) open market, 2) farmer input or output agreement, 3) partially integrated, and 4) corporate structure. Some may feel more at ease with this approach.

The model does visualize some of the directional flow of the upward pressures on prices and quantities produced as well as indicating downward competitive price pressures. The illustration recognizes the large non-farming corporate food convertor can substantially influence farm production and marketing. The model is designed around the key concern--who will control the food and fiber organizational system.

The model or some modification might be useful in many ways. Some would include explaining the situation, clarifying the issue, providing a discussion framework, and assisting people in determining what kind of organizational system they want so they may attain the desired objectives.

## FARM-FOOD CHAIN PRESSURES AND ORGANIZATIONAL ALTERNATIVES



### Summary

Farm operators, citizens, businessmen, legislators and others are expressing increasing concern over the organizational system and who will control U.S. agriculture. The concerns of people are broad, philosophical, and real but they can be related to two major trends. They are: 1) the increasing size of farms and concentration of production, and 2) greater involvement of forces outside of farming to coordinate production through contractual or integrated arrangements.

Farm operators may be more concerned than others at the present time because they are faced with a combination of these two developments. As evidence, a leading Ohio farmer recently said, "Vertical integration will increase. The concern of farmers is, who will control it? Will integration be backward or forward? Who is to have the decision-making role?"

The actions favored by different people vary widely from those that prefer to leave things as they are, to those that want to speed up change, to others that prefer to modify or negate the forces now in motion, and still others want to create countervailing forces.

The issue, in my judgment, will be with us for a long time. We as public policy educators have a challenge in helping identify the issue, assisting in clarification of objectives, providing a framework for discussion of the organizational alternatives, providing facts, and assisting people in assessing the consequences of the various alternatives. Whether we as policy educators worry about the issue is not important. Are we going to help? What we do can make a difference.